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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC PRIORITY 3296

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AMEMBASSY TEHRAN

AMEMBASSY TEL AVIV

AMEMBASSY MOGADISCIO

AMEMBASSY VIENNA

S E C R E T SECTION 1 OF 3 JIDDA 0117

EXDIS

DEPT ALSO FOR AMBASSADOR PORTER

E.O. 11652: GDS

TAGS: PINT, PFOR, EGEN, US, SA

SUBJECT: ANNUAL 75 POLICY ASSESSMENT FOR SAUDI ARABIA: PART ONE

REF: STATE 268352, 75 JIDDA A-21,

THIS TELEGRAM IS THE FIRST OF FIVE TRANSMITTING THE

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ANNUAL POLICY ASSESSMENT FOR SAUDI ARABIA. THIS

TELEGRAM INCLUDES TABLE OF CONTENTS, SUMMARY INTRODUCTION AND OVERVIEW.

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SUMMARY INTRODUCTION

THE EMBASSY BELIEVES THAT THE MOST RECENT ECONOMIC AND POLITICAL ASSESSMENT (A-21 OF MARCH 27, 1975) AND RECOMMENDATIONS ARE BASICALLY STILL VALID. PRINCIPAL DEVELOPMENTS REFLECTED IN THIS REVISION OF THAT ASSESSMENT ARE:

(1) GREATLY INCREASED ESTIMATES FOR PUBLIC SECTOR SPENDING (UP FROM AN ESTIMATED \$50 BILLION TO PLANNED EXPENDITURES - 1975/1980 - OF \$142 BILLION); (2) CONTINUED GROWTH OF SAUDI INFLUENCE IN FORMULATING ARAB REGIONAL POLICIES; (3) A SMOOTH TRANSITION AFTER THE DEATH OF KING FAISAL ON MARCH 25, 1975, LEADING TO A LESS DECISIVE BUT ALSO LESS RIGID LEADERSHIP; AND (4) RISING SKEPTICISM ABOUT U.S. INTENTIONS IN THE AFTERMATH OF AN ARRAY OF ECONOMIC ACTIONS IN U.S. WHICH HIGH-LEVEL SAUDI GOVERNMENT OFFICIALS DEEM ARE
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AIMED AT THEIR COUNTRY. IN THE COMING YEAR, WE SHOULD BE ATTENTIVE FOR SIGNS THE SAUDI GOVERNMENT MAY BE REASSESSING ITS COOPERATION WITH THE U.S. ON MIDDLE EAST AFFAIRS, AND SEEKING ALTERNATIVES TO ITS HIGH DEPENDENCE ON THE U.S. FOR IMPORTED GOODS AND SERVICES, MILITARY DEVELOPMENT AND TECHNOLOGICAL EXPERTISE.

OUT ECONOMIC AND POLITICAL INTERESTS IN SAUDI ARABIA ARE IMPORTANT ON ANY SCALE. WE SHALL NEED TO BE ACTIVE AND PERSUASIVE IN CONTINUING TO POINT OUT TO THE SAUDI ARABIAN GOVERNMENT (SAG) HOW COMPLEMENTARY OUR RESPECTIVE NATIONAL INTERESTS ARE. ADDITIONS OVER THE NEXT YEAR TO USG PERSONNEL AND FINANCIAL RESOURCES HAVE INCREASED OUR ABILITY TO FURTHER U.S. OBJECTIVES

IN SAUDI ARABIA. REQUEST AND JUSTIFICATIONS FOR A
NUMBER OF ADDITIONALLY NEEDED POSITIONS, ESPECIALLY
IN RIYADH, WILL FOLLOW DISCUSSION (PART IV) ON THE
ALLOCATION OF RESOURCES.

I. OVERVIEW

UNITED STATES INTERESTS IN THE KINGDOM OF SAUDI ARABIA --
ECONOMIC, POLITICAL, COMMERCIAL -- RANK VERY HIGH.
THEY INCLUDE AS WELL THE IMPORTANT FACTOR OF WEL-
FARE AND PROTECTION OF U.S. CITIZENS, AS SOME
23,000 RESIDE IN THE KINGDOM. SAUDI ARABIA'S OIL
AND NEWLY ACCUMULATED WEALTH OFFER A FORMIDABLE
ECONOMIC AND COMMERCIAL OPPORTUNITY FOR AMERICAN
BUSINESS. HOW TO KEEP SAUDI ARABIA'S PETROLEUM
AND FINANCIAL RESOURCES "FRIENDLY" TOWARDS THE U.S.
AND THE WESTERN ALLIANCE WILL TAX THE IGENUITY OF
POLICYMAKERS. IT WILL REQUIRE THE CONTINUATION OF
CLOSE AND MUTUALLY SUPPORTIVE RELATIONS BETWEEN THE
U.S. AND SAUDI ARABIA -- WHICH IN TURN CAN BEST BE
ASSURED BY THE EARLY PEACEFUL SOLUTION OF THE ARAB-
ISRAELI CONFLICT. SAUDI ARABIA WILL NOT WITHDRAW
FROM ARAB EFFORTS TO ACHIEVE WHAT ARABS WOULD REGARD
AS A JUST SOLUTION TO THE PALESTINIAN QUESTION.

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EXDIS

A. ECONOMICS: OIL, MONEY, DEVELOPMENT AND COMMERCE

OIL: PETROLEUM AND THE REVENUE DERIVED FROM IT ARE THE MOST IMPORTANT FACTORS IN THE U.S.-SAUDI RELATIONSHIP. SAUDI ARABIA IS THE WORLD'S LARGEST EXPORTER OF PETROLEUM AND POSSESSES THE WORLD'S LARGEST PROVEN OIL RESERVES -- FACTS OF IMPORTANCE TO THE U.S., THE WORLD'S LARGEST INDUSTRIALIZED STATE. RECENT DATA INDICATE AN INCREASING U.S. DEPENDENCE UPON ARAB OIL WITH
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IMPORTS UP FROM 22 PERCENT OF U.S. IMPORTS IN 1973 TO 26 PERCENT IN THE FIRST PART OF 1975. U.S. POLICY INTERESTS IN THE WESTERN ALLIANCE AND JAPAN ARE ALSO AFFECTED BY THE NEED FOR ASSURED SAUDI PETROLEUM SUPPLIES TO THESE AREAS.

SAUDI ARABIAN IL PRODUCTION, WHICH AMOUNTED TO 8.6 MILLION BARRELS DAILY (B/D) PRIOR TO THE 1973 ARAB-ISRAELI WAR, WAS 6.8 MILLION B/D) DURING THE FIRST HALF OF 1975, WELL UNDER THE PRESENT ESTIMATED CAPACITY OF 11.5 MILLION BBLs. RECENT ESTIMATES OF FUTURE SAUDI CAPACITY HAVE BEEN DOWNGRADED, FROM A PROJECTED 20 MILLION B/D IN 1980 TO 13 MILLION B/D. SAUDI ARABIA CONSERVATIVELY ESTIMATES ITS "RECOVERABLE" CRUDE PETROLEUM RESERVES AT 164 BILLION BBLs. (DOUBLE ENTIRE WESTERN HEMISPHERE RESERVES).

WITH EXPENDITURE NEEDS THAT CAN BE MET BY AS LITTLE AS 4 MILLION B/D, SAUDI ARABIA CAN VIRTUALLY ALONE DETERMINE OIL PRICES WITH A WIDE RANGE. SAUDI ARABIA HAS ALSO BECOME ONE OF THE WORLD'S MAJOR AID DONORS (\$2.5 BILLION YEARLY) ALTHOUGH THE AID IS OFTEN GIVEN IN SECRET AND GENERALLY IN AN UNCOORDINATED FASHION.

THIS ECONOMIC STRENGTH HAS ENABLED SAUDI ARABIA TO EXERT AN INFLUENTIAL AND GENERALLY MODERATING INFLUENCE WITHIN OPEC ON OIL PRICES, AND WITHIN THE UN AND OTHER INTERNATIONAL FORUMS, WHERE THIRD WORLD ISSUES AND NORTH-SOUTH RELATIONS ARE DISCUSSED. SAUDI CONVICTIONS ON SOME ISSUES, HOWEVER, AND THE DESIRE TO AVOID CONFLICT ON QUESTIONS NOT OF DIRECT CONCERN WILL LIMIT THE DEGREE TO WHICH THE U.S. CAN BENEFIT FROM THIS INFLUENCE.

MONEY: SAUDI PETROLEUM INCOME FROM TAXES, ROYALTIES AND "PARTICIPATION" HAS SOARED, RISING FROM \$1.2 BILLION IN 1970 TO \$4.3 BILLION IN 1973 AND \$22.6 BILLION IN 1974. IT IS ESTIMATED THAT PETROLEUM INCOME WILL TOP \$27 BILLION IN 1975. SAUDI ARABIAN FOREIGN EXCHANGE HOLDINGS HAVE INCREASED CORRESPONDINGLY,
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RISING APPROXIMATELY FROM \$1.0 BILLION IN 1970 TO \$4.3 BILLION IN 1973 TO \$11.0 BILLION IN 1974 AND AN ESTIMATED \$22.0 BILLION AT THE BEGINNING OF DECEMBER 1975. THE SAUDI ARABIAN MONETARY AGENCY ALSO HOLDS LARGE AMOUNTS OF FOREIGN BONDS (INVESTMENTS AND AS OF AUGUST 1975, FOREIGN EXCHANGE ASSETS AND BONDS TOTALED \$32 BILLION.

DEVELOPMENT: THE GOVERNMENT'S SECOND FIVE YEAR PLAN (1975-1980) WAS RELEASED IN OCTOBER AND PUBLISHED IN SUMMARY FORM BY THE U.S. TREASURY DEPARTMENT. THE PLAN ENVISAGES GROSS EXPENDITURES OF \$142 BILLION THROUGH EARLY 1980. MAJOR COMPONENTS OF THE PLAN ARE: (1) DEVELOPMENT OF HUMAN RESOURCES, \$23 BILLION; (2) DEVELOPMENT OF ECONOMIC RESOURCES, \$26 BILLION; (3) INFRASTRUCTURE, \$32 BILLION; (4) DEFENSE, \$22 BILLION; AND (5) EXTERNAL ASSISTANCE, \$18 BILLION.

THESE FIGURES INCLUDE \$50 BILLION SOLELY FOR AN ARRAY OF SEMI-PUBLIC JOINT VENTURES IN THE PETROCHEMICAL AND RELATED FIELDS AND IN THE INDUSTRIALIZATION OF NATURAL GAS. THERE WILL BE MASSIVE EXPENDITURES ALSO IN URBAN DEVELOPMENT, WATER AND DESALINATION, HEALTH CARE AND ELECTRICITY. IN ADDITION, AS SAUDI ARABIA LOOKS TO ITS SECURITY INTERESTS IN THE REGION, THE DEVELOPMENT PLAN INCLUDES SIZEABLE EXPENDITURES FOR MILITARY DEVELOPMENT AND CONSTRUCTION. (THE U.S. CORPS OF ENGINEERS' ACTUAL AND PROJECTED ASSOCIATION WITH MILITARY CONSTRUCTION AND OTHER PROJECTS EXCEEDS \$16 BILLION.)

APART FROM THE DEVELOPMENT PLAN EXPENDITURES, GOVERN-

MENT BUDGETED SPENDING INCREASED FROM \$4.7 BILLION IN 1973 TO \$16.6 BILLION IN 1974 AND AN ESTIMATED \$30.4 BILLION IN 1975. ACTUAL EXPENDITURES, HOWEVER, MAY NOT EVEN REACH 60 PERCENT OF OBLIGATIONS BECAUSE OF BOTTLENECKS, DISTORTIONS IN THE MARKET AND OTHER LIMITATIONS ON SAUDI ARABIA'S ABILITY TO ABSORB MONEY AND DEVELOPMENT. DESPITE THE FINANCIAL RESOURCES AVAILABLE TO IT, SAUDI DEVELOPMENT SHOWS SIGNS OF FALTERING. INABILITY TO SOLVE PORT CONGESTION PROBLEMS
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AND MASSIVE INCREASES IN GOVERNMENT AND PRIVATE DEMAND HAVE RESULTED IN SHARPLY RISING PRICES. SERIOUS LACK OF MATERIALS (CEMENT HELD UP IN THE PORT, FOR EXAMPLE) AND ADMINISTRATIVE INEFFICIENCY HAVE DELAYED MANY KEY PROJECTS. THE MAJOR JOINT VENTURES PLANNED FOR JUBAYL AND YENBO HAVE NOT BEEN SIGNED DUE TO DISAGREEMENTS BETWEEN THE GOVERNMENT AND THE FOREIGN FIRMS.

COMMERCE: THESE AND OTHER EXPENDITURES OFFER A FORMIDABLE ECONOMIC AND COMMERCIAL OPPORTUNITY TO AMERICAN BUSINESS. FOUR TO FIVE BILLION DOLLARS IN EXPORT SALES ANNUALLY FOR THE NEXT FIVE TO SIX YEARS WOULD NOT SEEM UNREASONABLE, ALL OTHER FACTORS REMAINING THE SAME. TO HELP REALIZE THESE POTENTIAL SALES, THE EMBASSY RECOMMENDED ESTABLISHING A "SPECIAL RELATIONSHIP" WITH SAUDI ARABIA IN A MAJOR POLICY PAPER (A-11 OF FEBRUARY 25, 1974). THIS INITIATIVE CULMINATED IN A U.S.-SAUDI ARABIAN JOINT COMMISSION ON ECONOMIC COOPERATION, ESTABLISHED WITH THE SECRETARY OF THE TREASURY AS CO-CHAIRMAN FOR THE USG, AND IN THE SIGNING OF A TECHNICAL COOPERATION AGREEMENT ON FEBRUARY 13, 1975. THE COMMISSION IS NOW CONSTITUTED AND FUNCTION IN RIYADH: AGREEMENTS FOR TECHNICAL COOPERATION IN AGRICULTURE (\$9.8 MILLION) AND A PURCHASE AGREEMENT FOR ELECTRICAL POWER EQUIPMENT (57 MILLION) WERE SIGNED DURING NOVEMBER 1975. THE COMMISSION IS PROVING TO BE AN INCREASINGLY VALUABLE MEANS OF COORDINATING U.S. PUBLIC AND PRIVATE ECONOMIC EFFORTS IN SAUDI ARABIA.

B. POLITICS: AREA RELUATIONS AND TENSIONS WITH THE UNITED STATES

MIDDLE EAST: POLITICALLY, SAUDI ARABIA IS A MAJOR MIDDLE EAST STATE. ALL OF THE "CONFRONTATION STATES" ARE TO COME EXTEND DEPENDENT ON SAUDI LARGESSE. EGYPT IN PARTICULAR NEEDS SAUDI FINANCIAL SUPPORT AND PRESIDENT SADAT'S HOLD ON POWER COULD BE SHAKEN IF THAT AID WERE TERMINATED -- ESPECIALLY IF IT WERE DONE PUBLICLY AND FOR POLITICAL REASONS. IN FACT THIS IS

NOT LIKELY TO HAPPEN. SAUDI ARABIA CONTINUE TO
PLAY ITS NOW TRADITIONAL ROLE OF ATTEMPTING TO DAMP
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DOWN CONFLICT AMONG THE ARAB STATES THEMSELVES, AND
ALSO BETWEEN INDIVIDUAL ARAB STATES AND ITS OWN NON-
ARAB FRIENDS. IN PRACTICE THIS MEANS THAT SAUDI
ARABIA WILL EXERT A MODERATING INFLUENCE ON HARD-
LINERS SUCH AS SYRIA IN THEIR RELATIONS WITH THE U.S.,
AND BETWEEN IRAQ AND SYRIA AND SYRIA AND EGYPT. SAUDI
ARABIA WILL ALSO MAINTAIN A RESIDUAL CAPACITY TO
DETERMINE WHETHER THERE SHALL BE WAR OR PEACE IN
THE MIDDLE EAST; WHILE WAR COULD BREAK OUT UNEXPECTEDLY
AS A RESULT OF ANY NUMBER OF INCIDENTS, NONE OF THE
CONTRONTATION STATES ARE LIKELY TO DELIBERATELY EMBARK
ON A PATH OF WAR WITH ISRAEL WITHOUT SOME ASSURANCES
THAT SAUDI AID WILL MAKE UP THE RESULTING CIVILIAN
AND MILITARY LOSSES. THE INCREASED SIZE OF THE
SAG'S POTENTIAL WAR CHEST NOW MAKES CONSULTATION
ALMOST MANDATORY, AND CERTAINLY MORE ADVISABLE THAN
IN 1973.

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S E C R E T SECTION 3 OF 3 JIDDA 0117

EXDIS

ARABIAN PENINSULA: SAUDI ARABIA IS THE NATURAL LEADER OF THE ARABIAN PENINSULA STATES AND WITH THE EXCEPTIONS OF KUWAIT AND THE PDRY, THIS ROLE IS ACKNOWLEDGED BY THEM. IN THIS CAPACITY, SAUDI ARABIA CONSIDERS ITSELF THE EQUAL PARTNER OF IRAN IN PERSIAN GULF SECURITY. THEIR INTERESTS ARE COMPATIBLE (ALTHOUGH DOUBT REMAINS ABOUT IRANIAN AMBITIONS ON THE WEST SIDE OF THE GULF); RELATIONS BETWEEN THE TWO COUNTRIES ARE AT PRESENT GOOD, AND PERHAPS BETTER THAN IN THE DAYS OF KING
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FAISAL. THE PROSPECT FOR GULF SECURITY IS EXCELLENT SO LONG AS RELATIONS REMAIN GOOD, AND THERE IS OPEN COMMUNICATION BETWEEN IRAN AND SAUDI ARABIA, AND IRAN AVOIDS UNCOORDINATED, UNILATERAL ACTION ON THE ARAB SIDE OF THE GULF. WE DOUBT ANY FORMAL SECURITY ARRANGEMENT CAN BE REACHED AMONG GULF STATES; IF IT COULD BE, IT WOULD BE MORE LIKELY TO COMPLICATE THAN HELP GULF STABILITY.

STRAINS IN U.S.-SAG RELATIONS: SAUDI-U.S. RELATIONS REMAIN GOOD AND CLOSE BUT A MALAISE HAS ENTERED INTO THESE RELATIONS WHICH NEITHER GOVERNMENT SEEMS ABLE TO EXPUNGE. ONE CAUSE IN THE SAG'S CONCERN AT THE SLOW PACE AND THE LACK OF PROGRESS OF U.S. EFFORTS TO BRING ABOUT A MIDDLE EAST PEACE. SAUDI ARABIA SUPPORTS THE U.S. PEACE-KEEPING EFFORT IN THE MIDDLE EAST ON THE PREMISE THAT PROGRESS TO DATE, INCLUDING SINAI II WILL BE QUICKLY FOLLOWED BY OTHER STEPS LEADING TO AN OVERALL SETTLEMENT. WHILE WANTING RAPID MOVEMENT, SAUDI ARABIA WOULD NOT TAKE THE LEAD IN FORCING THE PACE, BUT IT IS RESPONSIBLE TO PRESSURES FROM AND ON SYRIA AND IS CONCERNED THAT LACK OF FURTHER PROGRESS WILL INCREASE EGYPT'S ISOLATION. MOREOVER,

SINCE SAUDI ARABIA HAS BECOME MORE INTEGRATED IN THE ARAB WORLD, AND INDEED ONE OF ITS LEADERS, U. S.-SAUDI RELATIONS HAVE BECOME MORE SUSCEPTIBLE TO BEING INFLUENCED BY THE STATE OF U.S. RELATIONS WITH OTHER LEADING ARAB STATES; SAUDI LEADERS WELCOME THE APPELLATION "MODERATE," BUT WOULD NOW REJECT IT IF IT WERE AGAIN USED TO DEFINE THOSE ARAB STATES WHICH PUT THEIR BILATERAL RELATIONS WITH THE U.S. AHEAD OF THEIR CONCERN FOR THEIR FELLOW ARABS AND THE OUTCOME OF THE ARAB-ISRAELI CONFLICT.

DEFENSE: ANOTHER FREQUENTLY TROUBLING ELEMENT IN SAUDI-U.S. RELATIONS HAS BEEN OUR LONG-STANDING MILITARY SUPPLY RELATIONSHIP. THE SAUDIS CONSIDER THIS IMPORTANT FOR TWO MAIN REASONS: (1) HAVING TAKEN THE DECISION TO MODERNIZE THEIR ARMED FORCES, THE SAUDIS WANT THE BEST TRAINING AND EQUIPMENT AVAILABLE, AND
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IN MOST CASES, THIS MEANS GETTING IT FROM THE U.S.' (2) THE SAUDIS SEE U.S. WILLINGNESS TO MEET WHAT THEY REGARD AS THEIR LEGITIMATE DEFENSE NEEDS AS AN INDICATION OF THE TRUE DEGREE OF OUR CONCERN FOR THE PRESERVATION AND DEVELOPMENT OF GOOD BILATERAL RELATIONS. RESTRICTIVE CONGRESSIONAL ACTIONS AFFECTING THE FOREIGN MILITARY SALES BILL COULD FRUSTRATE OUR ABILITY TO MEET SAUDI NEEDS (AS WE HAVE DEFINED THEM) AND COMPROMISE OUR LONG HISTORY OF DEFENSE COOPERATION. THE SAUDIS HAVE BEGUN TO DIVERSIFY THEIR ARMS SUPPLIES AND CAN BE EXPECTED TO CONTINUE TO DO SO. THEY ARE DEEPLY COMMITTED TO U.S. SYSTEMS IN A NUMBER OF IMPORTANT AREAS -- AIR DEFENSE AND AVIATION -- BUT MAY NOW PROCEED CAUTIOUSLY BEFORE COMMITMENT TO OTHER MAJOR U.S.

BOYCOTT: A THIRD CAUSE OF STRAIN HAS IN RECENT MONTHS BEEN A RASH OF EXECUTIVE OR LEGISLATIVE ACTION IN THE U.S. THESE HAVE DISTURBED SENIOR SAUDI GOVERNMENT OFFICIALS WHO REGARD THE EASURES AS ANTAGONISTIC AND AS SPECIFICALLY AIMED AT SAUDI ARABIA. THE ACTIONS INCLUDE THE PRESIDENT'S STATEMENT OF NOVEMBER 20 AGAINST BOYCOTT AND DISCRIMINATION PRACTICES, THE SECRETARY OF COMMERCE'S MEMORANDUM ON TRADE OPPORTUNITIES, THE SECRETARY OF INTERIOR'S MEMORANDUM ON THE U.S. GEOLOGICAL SURVEY, THE PROBLEMS PRESENTED FOR BOTH AID AND PL 480 PROGRAMS, THE LAWSUIT AGAINST STATE AND TREASURY, ET AL, REGARDING THE JOINT COMMISSION, THE PENDING SUITS AGAINST U.S. CORPORATIONS FOR ALLEGED RESTRAINT OF TRADE, AND -- POTENTIALLY

MOST HARMFUL OF ALL -- THE FEDERAL RESERVE BOARD'S LETTER TO MEMBER BANKS OF DECEMBER 12. THIS LETTER COULD REQUIRE THE FEDERAL RESERVE SYSTEM'S 5,800 MEMBER BANKS TO REFUSE TO HANDLE SAUDI LETTERS OF CREDIT.

C. PROSPECTS: THE SAUD REGIME AT HOME

THE U.S. HAS A STAKE IN THE CONTINUATION IN POWER OF THE PRESENT MODERATE AND PRO-WESTERN SAUDI REGIME (I.E. THE HOUSE OF SAUD) AS THE MOST FAVORABLE WE
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CAN EXPECT. THERE IS, HOWEVER, LITTLE THAT WE CAN DO DIRECTLY TO INFLUENCE THIS. THE DEATH OF KING FAISAL WAS FOLLOWED BY A SMOOTH TRANSITION TO A NEW REGIME. THE GOVERNMENT REMAINS STRONGLY IN THE SADDLE AND BROADLY POPULAR, BUT SOCIAL AND ECONOMIC DANGER SIGNALS WHICH FLICKERED DIMLY A YEAR AGO HAVE BECOME MORE INSISTENT. PUBLIC CORRUPTION IS APPARENTLY ON THE INCREASE. RISING CONSUMER PRICES, SOARING LAND COSTS AND RENTS ARE SQUEEZING LOWER AND MIDDLE INCOME FAMILIES WHICH THE GOVERNMENT PROCEEDS WITH VAST DEVELOPMENT PROJECTS WHOSE IMMEDIATE RESULTS (PORT CONGESTION, HIGHER RENTS, SCARCITIES) ONLY COMPLICATE THE LIFE OF THE AVERAGE CITIZEN. REAL ESTATE PRICES AND CONSTRUCTIONS COSTS ARE MOUNTING RAPIDLY, LABOR IS SCARCE AND COMMON CONSTRUCTION WORKERS' PAY IN TWO YEARS HAS INCREASED SIXFOLD. HOUSING IS ONE OF THE SINGLE MOST PRECIOUS COMMODITIES IN THE KINGDOM TODAY, AND HOUSES WHICH RENTED FOR \$4,000 ANNUALLY TWO OR THREE YEARS AGO NOW COMMAND TEN TIMES MORE.

THE GOVERNMENT ITSELF GIVES THE IMPRESSION OF BEING INCREASINGLY OVERWHELMED AND THE STREAM OF PRONOUNCEMENTS FROM THE COUNCIL OF MINISTERS THAT THIS OR THAT SHORTCOMING BE CORRECTED IMMEDIATELY IS NO LONGER REASSURING -- SINCE THE RESULTS ARE SO SLOW TO APPEAR. THE LATE KING FAISAL WAS CONSERVATIVE AND RIGID BUT HE WAS AT THE SAME TIME A STERN FATHER FIGURE FROM WHOM THE PUBLIC DERIVED CONFIDENCE THAT ALL WOULD TURN OUT FOR THE BEST. BY COMPARISON THE PRESENT DIFFUSE LEADERSHIP SEEMS UNCERTAIN AND DRIFTING.

D. CONCLUSION

FOR THE U.S. TO REALIZE THE PONTENTIAL FOR MUTAL BENEFIT IN OUR RELATINS WITH SAUDI ARABIA WILL RE-

QUIRE PATIENCE AND PERSUASIVENESS. IT WILL ALSO
REQUIRE AN EFFORT BY THE ADMINISTRATION WITH THE
CONGRESS AND CERTAIN SEGMENTS OF THE U.S. PUBLIC
TO EXPLAIN THE U.S. STAKE IN CONTINUED GOOD RELATIONS
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Message Attributes

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Draft Date: 08 JAN 1976
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Disposition Action: RELEASED
Disposition Approved on Date:
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Disposition Case Number: n/a
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Margaret P. Grafeld
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